The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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TIM MURRAY
Lieutenant Governor

JAY GONZALEZ
Board Chair

GLEN SHOR
Executive Director

Board of the Commonwealth Health Insurance Connector Authority

Minutes

Thursday, November 8, 2012
9:00 AM to 12:00 PM
One Ashburton Place
Boston, MA 02108
21st Floor Conference Room

Attendees: Jay Gonzalez, Glen Shor, George Gonser, Nancy Turnbull, Andres Lopez, Julian Harris, Ian Duncan, Celia Wcislo, Jonathan Gruber, Joseph Murphy and Dolores Mitchell.

The meeting was called to order at 9:06 AM.

I. **Executive Director's Report:** Glen Shor opened by reporting that Commonwealth Care (CommCare) membership as of November 1, 2012 is 195,853, which is a meaningful increase over October enrollment. Mr. Shor indicated that the number of CommCare members who are not aliens with special status (AWSS) increased from October to November by approximately 2,700. Next, Mr. Shor informed the Board that Novermber 1, 2012 enrollment for Commonwealth Choice (CommChoice) remained flat. Mr. Shor further noted that the Commonwealth Health Insurance Connector Authority (CCA) is roughly 320 members shy of reaching a grand total of 240,000 members insured through the CCA.

Next, Mr. Shor highlighted the recent launch of new decision support tools for shopping through CommChoice. Mr. Shor acknowledged the work of Scott Devonshire, Dave Lemoine and others who were integral in developing the new tools that provide comprehensive information about provider networks, deductibles, out-of-pocket maximums and coinsurance. Another component of the decision support tool is a filtering mechanism that enables shoppers to filter the plans they want to see. Shoppers will always be able to exit the tool at anytime should they want to see more plans. Mr. Shor explained that the new decision support tools will enable visitors to the CCA's website to shop in a way that is different than they have been able to up to now. Mr. Shor also took a moment to discuss the 2012 election results and emphasized that the CCA is moving full steam ahead in its implementation of the ACA and its efforts to ensure that it is an ACA-compliant exchange that makes an impact.

Finally, Mr. Shor shared with the Board that Stephanie Chrobak, Director of Operations, is moving to the health care consulting field. Mr. Shor emphasized Ms. Chrobak's extraordinary work overseeing the CommCare program and also highlighted her success in merging the CommCare and CommChoice teams. Mr. Shor explained how Ms. Chrobak successfully brought talented individuals with disparate backgrounds together and molded them into a team that excelled at performing CCA 1.0 operations while also leading the organization on the correct path toward the successful implementation of CCA 2.0. Mr. Shor concluded by thanking Ms. Chrobak for her service and expressing his belief that Ms. Chrobak is a great leader, manager and mentor who has fostered excellent relationships with the CCA's partners due to her commitment to collaboration and transparency. Secretary Gonzalez echoed Mr. Shor's words and also thanked Ms. Chrobak for her commitment to the CCA over the past 3 years.

Julian Harris and Dolores Mitchell arrived at 9:10am.

II. 2014 Seal of Approval Introduction (II) Product Strategy & Employee Choice: Jean Yang opened discussion by providing an overview of the CCA's 2014 product strategy that includes both medical and dental insurance products. The power point presentation entitled "2014 Seal of Approval Introduction (II): Product Strategy & Employee Choice" was used during Ms. Yang, Ms. Kenney and Ms. Kean's presentation to the Board and was subsequently posted to the CCA website. Ms. Yang explained that the CCA intends to continue to offer standardized products as its foundation, supplemented by non-standardized options to expand choice. Ms. Yang indicated that starting in 2014, all non-grandfathered health benefit plans sold in the small and non-group market must be classified by "metallic tiers" based on actuarial value (AV). In order to be classified into metallic tiers, the AV of a plan must fit within one of the defined ranges. Nancy Turnbull asked how a plan with an AV of 100 percent would be categorized. Ms. Yang explained that a product with an AV requirement of 100 percent would have zero cost-sharing. Ms. Yang explained that currently there is not a consistent approach to determining AV. To ensure a consistent approach, the U.S. Department of Health and Human Services ("HHS") plans to release a "federal AV calculator," which is expected in November 2012. Ms. Turnbull asked how much reconfiguration the CCA would have to do if the CCA was going to put its current metallic tier model on top of the federal tier model. Kaitlyn Kenney explained that while she would address this later in the presentation, she noted that not knowing what the federal AV calculator looks like prevents the CCA from currently participating in such an exercise.

Ms. Yang continued by explaining that the ACA metallic tier requirement is a concept similar to the current structure of Commonwealth Choice. She added that the Commonwealth Choice approach, which separates products into metallic tiers with additional standardization requirements, continues to be permissible under the ACA. Jonathan Gruber expressed his belief that the CCA could standardize even more than is required by the federal government. Ms. Yang explained that while the ACA requires the CCA to add additional metallic tiers, there are no standardization requirements per se. Mr. Gruber asked for CCA staff to develop a map that evaluates the pros and cons if the CCA were to only follow the ACA metallic tier requirement and not standardize as well. Ms. Yang stated that the CCA will be able to engage in such an exercise once HHS releases the "federal AV calculator". In looking at key considerations for 2014, Ms. Yang stressed that product standardization remains a core principle of the CCA's strategy and should be maintained for 2014. However, she also explained that incorporating some non-standardized products is workable and the CCA has frequently received market feedback that suggests desire for more product choice on the CCA shelf. Ms. Yang stated that new requirements and tools that apply in 2014 will address some of the concerns with regard to offering non-standardized products. Ms. Yang explained that the CCA has launched new decision support tools to help consumers navigate health plan choices and will augment such tools for 2014. Ms. Yang then shared with the Board a useful animated video tutorial about

provider networks. She further emphasized that additional decision support tool options are currently under development as part of the HIX-IES project. In looking at some of the proposed decision support tools for 2014, Dolores Mitchell asked whether section 125 rules, which prohibit an individual from changing plans until the next open enrollment, apply. Mr. Shor indicated that his team would look into her inquiry. Ms. Wcislo asked whether users could input their health care needs and personal health information online while ensuring adequate privacy and security. Scott Devonshire explained that any personal health information would be completely secure.

Next, Ms. Kenney articulated the CCA's proposed product strategy. The CCA proposes to maintain a "base" of standardized plans for both the non-group and small-group product offering and include additional non-standardized plans for the small-group shelf only, to further enhance the breadth of the SHOP portfolio. Ms. Mitchell questioned the administrative costs that are implied in having the amount of choices the CCA is suggesting. Ms. Mitchell provided an analogy to illustrate her question. She explained that Starbucks used to have twenty-five different coffees, and now only has three blends of coffee. She assumes that individuals preferred having twenty-five types of coffees to choose from, but Starbucks wanted to cut back on cost. Ms. Mitchell again asked what will it cost the CCA, and therefore the plans and the premiums to have so many choices. Ms. Kenney replied that the CCA is mindful of not wanting to add administrative costs to the system. However, she also emphasized that the CCA would like to offer products that have demonstrated market appeal through other carriers and their direct distribution channels. Ms. Yang further added that it is important to achieve a balance between administrative efficiency and providing consumers with the benefits of additional choice. Ms. Wcislo suggested that CCA staff should allocate time in the future to evaluate the impacts of providing additional choice to consumers. Ian Duncan asked whether the 2013 Seal of Approval proposal remains a single plan, single carrier option. Ms. Yang replied in the affirmative. Mr. Gruber stated that within the CCA's current bronze tier are several plan designs. In the future, it appears that the CCA would select only one bronze plan design. Mr. Gruber expressed his concern that he is not ready to pick a winner among the three bronze options. Ms. Kenney explained that she thinks the AVs will provide the CCA with some degree of moderation. Mr. Shor commented that it is important to be cognizant of the fact that the CCA has four tiers to work with, as opposed to three tiers, under the ACA. Mr. Shor explained that CCA staff are going to build some standardized products and will have a focused conversation about these issues in light of future concrete information. Ms. Turnbull and Mr. Gruber both requested additional plan data to help supplement the Board's discussion on the issues raised above. Mr. Duncan inquired into why the CCA would not offer two bronze plans that each had a 60% AV value. Ms. Kenney replied that the CCA will do its best to strike a balance of the number of offerings in the non-standardized category. Ms. Kenney explained that since 2011, the CCA has required that all carriers offer at least one plan for each of the standardized benefit packages on their broadest commercial network. Ms. Mitchell asked whether there was any push-back from the carriers about offering all of the standardized plan designs. Ms. Kenney stated that there has not been significant push-back recently from carriers on this matter.

Next, Allison Kean opened discussion on the CCA's plans to expand its product shelf to include dental products starting in 2014. Ms. Kean explained that the ACA Essential Health Benefit (EHB) package includes pediatric dental coverage. In order to ensure robust access to dental EHB through the Exchange, the vision of the ACA is to offer stand-alone dental plans through the Exchange. Mr. Duncan asked if you have a family, do you have to buy a family plan or does each individual family member have to buy insurance. Ms. Kenney stated that the ACA does not prescribe the type of coverage an individual must purchase, but each member of a family must have coverage that meets Minimum Essential Coverage (MEC) requirements. Ms. Kenney also explained that the pediatric dental component is specific to the EHB package and is applicable to

small and non-group plans. She further clarified that consumers are not mandated to purchase a plan that includes the dental EHB to avoid a penalty; rather, they must show that they have obtained MEC, which does not require the complete set of EHBs. Ms. Kean continued and noted that the CCA needs to make stand-alone dental plans available on its shelf. Mr. Gruber asked whether the CCA would allow individuals over age 65 to purchase stand-alone dental plans through the Exchange. Ms. Yang stated that the CCA is looking into the legal definition of who is eligible to purchase stand-alone dental insurance on the Exchange. Mr. Gruber asserted his belief that the potential for risk-selection will dramatically increase if the CCA allows individuals over 65 to shop on the exchange for dental coverage. Ms. Mitchell also expressed her concern about adverse selection. In looking at the current dental insurance market, Ms. Turnbull asked if the CCA had information on profit margins for dental insurance as she recalled that they were quite high in the past. Ms. Kean continued and noted that the majority of leading dental insurance carriers have expressed an interest in working with the CCA. Ms. Yang explained that while the CCA needs to be mindful of creating adverse risk selection, the carriers see the Exchange as an opportunity to centralize certain distribution functions and potentially gain efficiencies. Ms. Turnbull asked whether risk adjustment applies to dental plans. Ms. Kean replied in the negative and explained that dental insurance products are a completely different model and there needs to be a completely different set of development work. Ms. Mitchell asked whether there is still a 2-1 age rating band with regard to stand-alone dental. Commissioner Murphy replied in the affirmative. Mr. Shor explained to the Board that as the CCA moves toward launching the 2014 Seal of Approval RFR, staff will be back to the Board many times to further explore dental insurance products.

The last section of the presentation focused on Employee Choice. Ms. Kean explained that Employee Choice is an ACA-required function of the SHOP (small group) Exchange, which allows employers to select a level (metallic tier) of coverage and then permits employees to choose from all QHPs within the selected level. Ms. Kean explained that to meet the ACA requirement, the CCA is planning an approach that leverages a refined version of the Contributory Plan (CP) model. Mr. Duncan asked how many groups and how many lives were enrolled in CP at its peak. Ms. Yang stated that at its peak, roughly 400 lives and fewer than 200 groups were enrolled in CP. Next, Ms. Kean explained how the CP framework fits the requirement of the ACA. Mr. Duncan asked whether an employee who is shopping for a plan will know the amount of the employer contribution. Mr. Gruber stated that the employer indicates what it will cost for an employee to choose among alternative plans in the same tier as the benchmark plan, so an employee could infer the employer contribution amount. Ms. Kean then shared with the Board findings from the 2009 CP survey. Ms. Turnbull asked how many employees chose the benchmark plan back in 2009. Ms. Yang replied that approximately 60 percent of employees chose the benchmark plan, but that figure also included sole proprietors. Mr. Shor further added that the 2009 CP offering was a capped pilot. He recognized that, while there was positive feedback from the 2009 survey, there are many opportunities to learn from the pilot and make improvements to the model. Ms. Turnbull asked whether carriers are required to participate in the Employee Choice model. Ms. Yang replied that carriers are required to participate in the Employee Choice model if they participate in the Exchange. Ms. Wcislo asserted that the Employee Choice model appears to create greater administrative costs. Ms. Yang explained that under the ACA, the Exchange is mandated to offer Employee Choice. Thus, in order to control costs, the CCA is leveraging the existing infrastructure of the CP model as much as possible.

Finally, Ms. Kean provided an overview of additional options, including offering choice within products offered by a single carrier. Mr. Gruber noted his preference to allow greater vertical choice, while Mr. Duncan stated that he supports the notion of horizontal choice. Mr. Gruber noted that it is important to look at the value proposition for small businesses. He further added

that often small businesses purchase health insurance through the CCA in order to give their employees true choice. Ms. Kean concluded the presentation by noting that Employee Choice is a relatively new concept and the CCA anticipates that there will be continued challenges in the future. Ms. Kean further noted that through additional conversation with the Board, the CCA expects to continuously learn from its experiences and refine its strategy.

The meeting was adjourned at 11:07 AM.

Respectfully submitted,
Kristin F. McCarthy